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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 11/26/08

Index:

1) President-elect Obama's economic dream team likely to escalate demands on Japan (Tokyo Shimbun)

Defense and security affairs:

2) Government plans to expand cooperation with NATO, fund weapons disposal in the former Soviet Union bloc, and possibly line up assistance to Afghanistan (Nikkei)  
3) Government's basic plan for outer space will expand defense use (Nikkei)  
4) Japan to provide 600 million yen in assistance to victims of cluster bombs (Yomiuri)

Political agenda:

5) Prime Minister Aso announces delay of submission of second supplementary budget until early next year during regular Diet session (Nikkei)  
6) Opposition camp against extending the Diet session (Mainichi)  
7) Aso alarmed by sharp reaction to his decision to delay second extra budget from opposition Democratic Party of Japan (DPJ) and even within his own party (Yomiuri)  
8) Bills related to the second extra budget will not be adopted soon and may even be scrapped (Nikkei)  
9) DPJ, angry at Aso dilatory tactics, ready to submit its own economic package to the Diet (Mainichi)  
10) Views of junior and mid-level LDP lawmakers split on issue of second supplementary budget (Mainichi)  
11) Distrust between Aso and DPJ head Ozawa escalates as war of words continues (Nikkei)  
12) Government uncertain about whether progress on abduction issue

will result from restarted Six-Party Talks and alarmed at U.S.' soft stance toward DPRK (Tokyo Shimbun)

Articles:

1) Obama's economic team may intensify pressure on Japan

TOKYO SHIMBUN (Page 8) (Full)  
November 26, 2008

Masakazu Furukawa, Washington

U.S. President-elect Barack Obama announced the lineup of his economic policy team in a press conference yesterday, as well as unveiled plans to reveal the outline of a planned economic stimulus package that is said to be worth 700 billion dollars, or about 68 trillion yen, within a few weeks. The announcement of members of his economic team before naming key members shows his eagerness to address economic issues on a priority basis, out of a strong sense of alarm at a further downturn of the U.S. economy.

He has named heavyweights with a sufficient experience and a proven track record as members of his economic team. Lawrence Summers, who has been appointed to chair the National Economic Council (NEC), successfully turned the U.S. economy around as treasury secretary in the Clinton administration. Owing to his policy, the U.S. economy enjoyed good times over a long term.

New York Federal Reserve Bank President and treasury

TOKYO 00003235 002 OF 009

secretary-designate Timothy Geithner devoted himself to containing a financial crisis in cooperation with Treasury Secretary Henry Paulson. Former Federal Reserve Board Chairman Volcker, who is said to have established the foundation for economic expansion by stemming inflation under the Carter administration, is included in a team of economic advisors. Even so, there is concern that a large-scale economic stimulus package could push down the values of the dollar and U.S. government bonds as a result of fiscal deficits expanding and eventually negatively affect the global economy. Investment in projects from the long-term viewpoint, such as education, cannot be expected to take effect immediately.

Meanwhile, economic policy giving priority to domestic industries might lead to intensified pressure on foreign governments. Summers made severe requests mainly for economic stimulus measures to Japan after the burst of the bubble economy. In the Obama administration, too, he may come up with harsh demands to Japan, which has sunken deeper into recession.

2) Japan to expand cooperation with NATO

NIKKEI (Page 2) (Full)  
November 26, 2008

The government is planning to expand cooperation with the North Atlantic Treaty Organization (NATO). Specifically, Japan will offer to financially help NATO with its efforts to scrap weapons in former Soviet Union constituents and East European countries and to lay down ordnance control in Afghanistan. The government is ready to strengthen Japan's channels to NATO, which has been conducting public security operations in Afghanistan. This move is likely in preparation for Japan's future assistance with Afghan reconstruction.

Meanwhile, Prime Minister Taro Aso has also insisted on the necessity of cooperating with NATO. In May 2006, when Aso was foreign minister, he addressed a NATO council meeting in Brussels. He was the first Japanese minister to speak there, and he then set about strengthening dialogue with NATO.

NATO has been working to scrap unnecessary weapons and landmines in former Soviet Union member states and East European countries in order to prevent them from going into the hands of terrorists. Japan will outlay about 100,000 euros (approximately 12.3 million yen) for

these undertakings. This funding cooperation is intended for NATO activities in such countries as Georgia and Ukraine. The government will continue to assist NATO with its efforts there next year and afterward.

Another pillar of Japan's funding cooperation to NATO is ordnance control in Afghanistan. NATO is currently in a hurry to introduce security and monitoring systems for arsenals and ammunition depots in order to improve public security in Afghanistan. This spring, Japan, in order to back up such efforts, outlaid 3 million euros (approx. 369 million yen), about 50 PERCENT of the total costs, for such purposes as renovating ordnance storages.

Many in the government presume that the United States will ask Japan to make additional contributions for Afghan reconstruction after the Obama administration comes into office. However, the government will need legislative measures in order for Japan to send the Self-Defense Forces to Afghanistan. In this case, the hurdle is

TOKYO 00003235 003 OF 009

considerably high. Given such circumstances, the government's plan to expand Japan's cooperation with NATO also means a defense to fend off the United States' possible request for Japan's SDF dispatch to Afghanistan.

3) Gov't eyes expanding Japan's use of space for defense

NIKKEI (Page 2) (Full)  
November 26, 2008

A government taskforce for Japan's space activities and strategies-headed by Prime Minister Taro Aso-will set forth its first masterplan. According to an unveiled outline of the masterplan's basic course of action, the government plans to use outer space for Japan's national security within the bounds of its defense-only posture and push ahead with space diplomacy focusing on technological cooperation with foreign countries. In addition, the government will also utilize Japan's space technologies in order to elucidate the mechanisms of earth environment changes.

The outlined basic course of action classifies Japan's future space policy into five pillars. In addition to the use of outer space for national security and the promotion of space diplomacy, the basic course of action suggests the need to bolster Japan's space policy from such aspects as: 1) constructing infrastructure for the public, including an intelligent transport system (ITS); 2) developing strategic industries in the 21st century; and 3) investing in mankind's dreams and in the next generation.

4) Japan to endow cluster bomb victims with 600 million yen

YOMIURI (Page 2) (Full)  
November 26, 2008

Foreign Minister Nakasone will deliver a speech at a signing ceremony that is scheduled to be held in Oslo on Dec. 3 for a treaty banning cluster bombs. According to his draft speech revealed yesterday, Nakasone will announce that Japan will contribute 6 million dollars (approximately 600 million yen) within a year to aid cluster bomb victims. In his speech, Nakasone will suggest the need to envision reconstruction and peace after conflicts even in the case of weapons for self-defense.

Unexploded cluster bomblets have caused many civilian casualties. In this regard, Nakasone will emphasize that weapons spreading enmity should not be used. He will call on the international community for cooperation in post-conflict reconstruction. In addition, he will also clarify Japan's readiness to play a proactive role.

5) Government, ruling coalition decide to submit second extra budget to next Diet session; Aso-Ozawa debate to be held on Nov. 28

NIKKEI (Page 1) (Full)  
November 26, 2008

Prime Minister Taro Aso met yesterday with senior ruling Liberal

Democratic Party (LDP) and its coalition partner New Komeito at the Prime Minister's Official Residence (Kantei). In the meeting, Aso and senior ruling coalition members decided to forgo submitting a fiscal 2008 second supplementary budget to the ongoing Diet session. They have judged that if the government rushes the submission of the second extra budget, it could have some impact on the compilation of

TOKYO 00003235 004 OF 009

a state budget for next fiscal year toward the end of the year. The government plans to convene the next regular session in early January and to submit the second extra budget for fiscal 2008 to the regular session immediately after the session is opened, aiming at an early enactment of the extra budget.

After the meeting, Aso told reporters:

"I want to submit a second additional budget early next year. I intend to have the ordinary session convened in early January so that deliberations on the second extra budget will be started quickly."

Aso explained the reporters that his government would come up with a fiscal 2008 second supplementary budget around Dec. 20, when a downward revision for this fiscal year is carried out due to a drop in tax revenues. The notion being floated in the government and ruling parties is extending the current session until around Jan. 5 and opening the next regular session as early as Jan. 7.

The Aso administration has decided to put off submitting a second extra budget because it predicted that even if the budget cleared the Diet, the budget-related bills would likely be killed due to unfinished deliberations. Since the Diet Law specifies that an ordinary session should be convened in January, there is a limit to an extension of the current session.

LDP Secretary General Hiroyuki Hosoda met yesterday with his Democratic Party of Japan (DPJ) counterpart Yukio Hatoyama in the Diet building and conveyed the decision to submit a second extra budget to the next regular session to Hatoyama. Hatoyama strongly rebutted, noting: "We cannot agree to it."

Meanwhile, DPJ Diet Affairs Committee Chairman Kenji Yamaoka and his LDP counterpart Tadamori Oshima yesterday reached a general agreement on a plan to hold on Nov. 28 a first debate in the Diet between Prime Minister Aso and DPJ President Ichiro Ozawa.

#### 6) Opposition parties against Diet extension

MAINICHI (Page 5) (Full)  
November 26, 2008

The Diet affairs committee chiefs of four opposition parties -- the Democratic Party of Japan (DPJ), Japanese Communist Party (JCP), Social Democratic Party (SDP) and People's New Party (PNP) -- held a meeting yesterday in the Diet building and they agreed to oppose an extension of the ongoing Diet session. The agreement is based on their judgment that an extension of the current session is unnecessary because Prime Minister Taro Aso decided yesterday to forgo submitting a second supplementary budget for fiscal 2008 to the next ordinary session, which will be convened in January. They also confirmed that the opposition parties would make a decision on whether to take a vote on a bill amending the new Antiterrorism Special Measures Law, as well as on a bill revising the Financial Functions Strengthening Law -- both bills now in the House of Councillors for deliberations -- at the end of this month, when the government decides on the length of an extension.

#### 7) Prime minister's decision reflects alarm at DPJ offensive, but even ruling party members are criticizing him

TOKYO 00003235 005 OF 009

YOMIURI (Page 2) (Excerpts)  
November 26, 2008

Prime Minister announced yesterday that the government would not submit a supplementary budget bill for fiscal 2008 to the current Diet session. In addition to the official explanation that a bill could not be compiled on short notice, the decision largely reflects a judgment that if the government submits a bill, Diet deliberations could come to a standstill due to attacks from the Democratic Party of Japan (DPJ). But the decision has evoked criticism even from among ruling party members, with one lawmaker assailing: "It is hard to understand that the (prime minister) decided to delay the submission, even though he has been saying he would give priority to buoying up the economy." In the face of such criticism, the prime minister might further lose political ground.

A reporter asked Aso yesterday, "Isn't the decision contradictory to your stance of prioritizing economic stimulus measures?" Aso replied: "There is no contradiction at all. The first supplementary budget will finance emergency economic measures. The end of the fiscal year will be a crucial moment, different from the end of the year."

The second extra budget would finance an additional economic stimulus package unveiled on Oct. 30. A Liberal Democratic Party source said: "The prime minister had initially suggested a plan to submit some measures in the package to the current Diet session. But he faced opposition from his aides and changed his mind."

Asked why he made the decision, Aso said that it would take time to work out the details of the measures needed to help the people's livelihoods and to estimate to what extent tax revenues would decrease due to the current economic downturn. But the prime minister apparently harbors concern that if the government submits an extra budget bill, despite uncertainty about the fate of the bill, and if Diet deliberations come to a standstill, his administration might stall.

8) Delay in submission of second supplementary bill to Diet: Alarm now about delay in passage of related bills, fear they might even be killed if DPJ carries them over to next session

NIKKEI (Page 2) (Full)  
November 26, 2008

The government and the ruling parties have decided to put off the submission of the second supplementary budget to the current Diet session because of their deep-seated distrust in the Democratic Party of Japan's (DPJ) Diet strategy in the divided Diet.

If the opposition camp adopts a strategy of delaying a vote on that bill in the Upper House, where they hold the majority, the budget bill will automatically be enacted 30 days after it clears the Lower House. However, it is impossible to handle in time related bills designed to secure funding resources. Should that occur, the passage of the fiscal 2009 budget within the current fiscal year could be seriously affected.

If the second extra budget is to be deliberated during the current Diet session, the prime minister and related cabinet ministers would be tied to Budget Committee meetings in both Houses, giving rise to a possibility of the compilation of the fiscal 2009 budget bill

TOKYO 00003235 006 OF 009

being carried over into the new year. There is also the need to compile a third supplementary budget to make a downward revision to the estimate for tax revenues for this fiscal year. Many ruling party members had been prudent about the idea of deliberating the second supplementary budget bill during the current session with one noting, "Budgetary compilation would become even more complicated" and another saying, "Doing so could give the opposition camp an opportunity to attack the government."

Chances are that if the DPJ in the Upper House decides to carry over bills related to the second supplementary budget bill to the next session, the bills would be voted down in the next Diet session and scrapped. The government and the ruling parties appeared to have feared the worst situation in which it would become impossible to

re-submit those related bills to the regular Diet session because of the principle of not deliberating on the same measure during the same Diet session.

9) DPJ's economic stimulus package based on four pillars; Related bills outlined

MAINICHI (Page 2) (Full)  
November 26, 2008

Following Prime Minister Taro Aso's announcement on Nov. 25 of the postponement of the submission of the fiscal 2008 second supplementary budget to the current Diet session, the Democratic Party of Japan (DPJ) has outlined bills related to a package of economic and financial measures to be submitted to the current session. The package features the following four pillars: (1) abolish the provisional gas tax; (2) assistance for child-rearing; (3) financial measures for small- and medium-size businesses; and (4) employment measures, including improving the treatment of non-regular employees. The package thus incorporates measures for small- and medium-size businesses, which would likely become cash-strapped toward the end of the year, and key policies included in the party's manifesto for the next Lower House election. Their aim is to highlight differences from the government and the ruling parties, which have failed to take any economic stimulus measures due to the delay in the submission of the second supplementary budget to the current session, as one senior member of the DPJ Policy Research Council put it. The DPJ intends to submit those related bills to the Upper House as a showcase in the extended Diet session.

DPJ President Ichiro Ozawa on the 23rd revealed that his party was considering submitting bills related to the economic and financial measures to the current Diet session. DPJ Policy Research Council Chairman Masayuki Naoshima at an executive meeting on the 25th said that the party will start adjusting the bills at a meeting of the Next Cabinet" to be held on the 26th.

Regarding the abolition of the provisional tax rate among measures incorporated in the related bills, the public's financial burden worth 2.6 trillion yen would be reduced by abolishing the road-related provisional tax rate. For assistance for child-raising, a child allowance for 26,000 yen per child will be established. The DPJ is also considering making some expressways toll-free ahead of the timetable.

The measures for small- and medium-size businesses consist of two bills -- a bill designed to smoothen local financing, which will

TOKYO 00003235 007 OF 009

mandates financial institutions to disclose loan terms, and a bill to prevent major companies from bullying small- and medium-size businesses in order to constrain their unilateral cost-cutting demand to subcontractors.

10) Views of junior, mid-level LDP lawmakers split over submitting second supplementary budget to current Diet session

MAINICHI (Page 5) (Full)  
November 26, 2008

The views of junior and mid-level lawmakers of the ruling Liberal Democratic Party are split over whether to call on the government to submit a fiscal 2008 second supplementary budget to the current Diet session. Although former Administrative Reform Minister Yoshimi Watanabe, an active leader of the group, has taken a stance of not hesitating to topple the cabinet of Prime Minister Taro Aso if necessary, some other group members have a more realistic view that it is impossible to replace the prime minister at this point. Taking advantage of discord in the group, the LDP leadership and faction chiefs have launched an effort to calm down the lawmakers.

The group of 24 LDP lawmakers from both chambers of the Diet, including former Chief Cabinet Secretary Yasuhisa Shiozaki and Watanabe, has called for submitting the second extra budget to the ongoing session. Watanabe has stepped up criticism of Aso, arguing:

"Since the prime minister has said that he places priority on policy over politics, we must do something." House of Councillors member Taichi Yamamoto is advocating an early dissolution of the House of Representatives.

The group, however, yesterday refrained from criticizing the Aso administration's decision to push back the submission of the second extra budget to the next session. A group member, who served as parliamentary secretary, said: "We cannot support the government decision, but if we criticize it now, we would create a trend toward (toppling the cabinet). It is a vexing situation."

Meanwhile, in a General Council meeting yesterday, Yuji Tsushima, who heads a faction in the LDP, asked senior party members to tell group members "not to show mercy to the enemy" (Democratic Party of Japan). Senior members of the Machimura faction confirmed yesterday that they would closely watch moves of the group so that it would not become overly excited.

A veteran lawmaker took an icy view toward the group, saying: "It's a publicity stunt by lawmakers who will likely be defeated in the next election."

11) Confrontation and distrust between Aso and Ozawa drags on as likelihood grows that Lower House will not be dissolved until after the spring

NIKKEI (Page 2) (Abridged slightly)  
November 26, 2008

Confrontation between Prime Minister Taro Aso and Democratic Party of Japan (DPJ) President Ichiro Ozawa is expected to escalate with the planned extension of the current Diet session. Mutual distrust between the two, which has turned into a name-calling game, has grown to new heights, making it more difficult to settle complex issues brought on by the divided Diet. Amid the prospect that the

TOKYO 00003235 008 OF 009

next Lower House election will not be held before next spring gaining ground, due to the delay in the submission of the fiscal 2008 second supplementary budget bill, both parties will face off in the extended Diet session, saddled with contradictory arguments.

Prime minister on the defense

When he announced his decision to put off the submission of the extra budget to the current Diet session, the prime minister stammered for a moment, "Basically, the situation is not yet conducive to allow the submission of the bill right away ..."

Prime Minister Aso in late October announced his plan to compile a second extra budget, which would finance a package of additional economic stimulus measures. To do this, he would have to delay Lower House dissolution. Until recently, Aso has been searching for the right timing for submitting the bill in the belief that people's attitudes play a major role in the state of the economy.

His explanation was awkward. Concerning the expansion of credit guarantee for small- and medium-size businesses, the showcase of the additional package, Aso said, "Borrowers' cash management will not become difficult in December or January next year. The problem is the end of the year." However, the prime minister had originally stressed, "Cash management by small and medium-sized businesses would become difficult toward the end of the year."

The second extra budget will include the issuance of deficit-covering government bonds to make up for a drop in tax revenues. One reason for the delay in the submission of the second extra budget is because the amount of the issuance of such bonds has yet to be fixed. However, the prime minister, when he released the additional package, had categorically said, "I will not issue deficit-covering government bonds." During Diet deliberations, he will have to give an awkward explanation about this discrepancy.

The prime minister has no other choice even at the cost of coming

under fire as his words and actions being contradictor. The submission of the second supplementary budget bill to the current Diet session was an aggressive tactic with an eye on a Lower House dissolution for a snap election at the end of the year. Now he has no choice but to stay of the defensive, because the economy is slowing and his administration is starting to unravel due to his own wavering statements.

The prime minister and Chief Cabinet Secretary Takeo Kawamura on the 25th vowed to do their utmost with a determination to make a fresh start.

12) Progress on abduction issue uncertain in next round of six-party talks; Government wary of possible U.S. concession

TOKYO SHIMBUN (Page 2) (Full)  
November 26, 2008

The government has welcomed plans to resume the six-party talks on the North Korean nuclear issue on Dec. 8. But there are signs of the U.S. making concessions to North Korea, given that country's adamant stance on the nuclear issue. Relations between the U.S. and North Korea might move closer than before. The government is wary about the possibility this would inevitably affect the resolution of the

TOKYO 00003235 009 OF 009

issue of Japanese nationals abducted by North Korean agents.

Foreign Minister Hirofumi Nakasone told reporters yesterday: "Japan has no objection to that (schedule); we think it is fine." The government hopes to move negotiations on the stalled abduction issue forward by taking advantage of the resumption of the six-party talks. It has thus welcomed the planned resumption of the talks.

North Korea, however, has come up with a set of new demands on nuclear verification methods, a hot issue in the next round of the talks. Tokyo hopes to put a verification regime into writing, but Pyongyang has refused codifying the proposed collection of samples, which is indispensable for examining the output of plutonium.

The agreement reached in October between the U.S. and North Korea makes no reference to sampling, just noting "scientific protocol." The government is worried that the Bush administration, impatient to produce diplomatic accomplishments in its final days, might try to make concessions to North Korea.

If that becomes the case, Japan will lose its leverage - namely, pressure by the U.S. on the North -- in negotiating the abduction issue. If North Korea takes advantage of Japan's weak situation and resorts to strong-arm tactics, the future of Japan-North Korea negotiations on the abduction issue will become even murkier.

That is why Nakasone emphasized, "We hope that what have been agreed on between the U.S. and North Korea will be firmly put in writing."

The U.S. virtually ignored Japan's wishes by delisting North Korea as a state sponsor of terrorism. The next round of the six-talks might turn out to even more severe for the Japanese government.

SCHIEFFER